

Here are some questions you might have:

- Ryan, do we have money for this thing I want to do?
- How is that that we have so much money in the bank, especially after COVID?
- If we have so much money in the bank, why didn't we give the teachers a raise?
- How does the budget get set anyway, and how good are we at meeting it?
- How will equity tuition change all of this?

I will try to sketch answers to these questions today.

# Who are the budgeteers?

- Vidrik Frankfather, our staff accountant.
  - A past CCC parent and board treasurer
  - Has actual accounting expertise
  - Discovered errors in the work done by our contracted accounting firm, suggested that he could do it better as a part-time staff member
  - A great repository of detailed information and historical context
- Edna Tow, our school manager.
  - Also a past CCC parent
  - Collects tuition, pays salaries, processes reimbursements
  - Manages bank accounts and investments
  - A great repository of detailed information and historical context
- Board treasurer (whomever they may be)
  - May not have actual accounting experience
  - May not know a lot of historical context
  - May not have even been present when the last budget was passed
  - Facilitates communication between parents, the board, the teachers, and the staff who actually know what they are doing

# What goes into our budget?

Our income is almost all tuition, and our expenses are almost all salaries.

For example, in the 2018-2019 school year:

- Total income was  $\sim$  \$594k
  - 91% came from tuition ( $\sim$  2/3 of this came from AM tuition)
- Total expenditures were  $\sim$  \$568k
  - 87% went to personnel

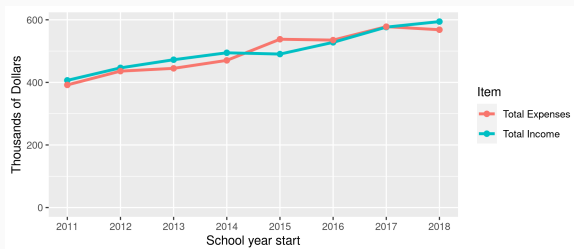
It is difficult to raise teachers' salaries without raising tuition a comparable amount.

This led to our current policy on teacher raises and bonuses (PPM page 28):

- Teachers get a COLA increase, but do not get raises.
- When we have a surplus we are supposed to:
  - Give teachers generous bonuses.
  - Fund the employee endowment fund (EEF).

So how often / how much do we have surpluses?

# Budget over time



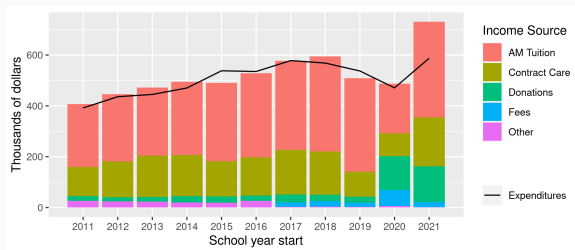
Between the 2011-2012 and 2018-2019 school years (inclusive):

- Actual income ran from  $\sim$  \$400k - \$600k
- The largest deficit was \$47k (10%), and the largest surplus \$28k (4%)
- Over all these years, the net surplus was \$47k ( $\sim$ \$6k or 1.2% / year)
- Typical variability was from a 0.5% loss to 4.5% surplus (IQR)
- We met the budget 63% of the time (5/8)

Because we run a tight budget, we have under-invested in B&G and teacher bonuses.

**Story of the \$47k loss:** In 2015, a B&G project went over budget, causing the board to mandate increasing the required cash reserve from 10% to 20%. (PPM Article IX) Vidrik (then treasurer) created a 10-year plan to save the difference.

## Budget over time: COVID years



When COVID hit (midway through the 2019-2020 school year):

- We charged normal tuition for 2019-2020
- Tuition dropped off *steeply* 2020-2021 (partial shutdown)
- The shortfall was made up (and then some) from *one-time donations*:
  - Past families
  - Corporate donations
  - Government assistance (e.g. forgiven paychek protection loans)
- As a result, we emerged from COVID19 with a large, one-time surplus.

The surplus first went to the 20% reserve. **Currently, about \$330k remains.**

Why didn't the teachers get a big bonus in 2021? After subtracting one-time donations, the surplus was only ~\$5k, less than 1% of budget.

# How is the budget made?

In practice, I understand that, in the April board meeting:

1. Vidrik and the treasurer present several (2 or 3) potential scenarios.
  - Scenarios vary capital expenditures, savings, &c
  - Teachers get a cost-of-living (COLA) increase every year
  - The scenarios increase or decrease tuition to match expenses
2. The board approves the scenarios, which are then sent for an all-school vote.

In the past, tuition was set directly, typically as a small increase over the previous year.

After equity tuition, we will not set tuition directly. Instead we will:

1. Make our budget scenarios without looking at the income of incoming families,
2. After seeing the income distribution, set the % of income that will cover expenditures for each scenario,
3. If the required % of income would be too large (e.g.  $> 5\%$ ) make up the difference from an *equity tuition reserve*.

Some consequences of equity tuition:

- Equity tuition may make it more palatable to regularly run a surplus.
- Equity tuition will increase income volatility (I estimate at least  $\pm 7\%$  of budget).
- **We will need to save to fill up the reserve.**

# How to use the COVID19 surplus?

**Currently, about \$330k of the COVID19 windfall remains.**

**Big TODO for all of us: Decide what (if anything) to do with this surplus.**

Three immediate suggestions (which were **colored red above**):

1. Investing in buildings and grounds
2. Giving the teachers a bonus / funding the employee endowment fund
3. Jump-starting the equity tuition fund

**Now is a good idea to start talking about your ideas!**